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TAGS: [EFIN](#) [EREL](#) [ETRD](#) [PGOV](#) [PINR](#) [UP](#) [XH](#)

SUBJECT: ALFA BANK CONFIRMS NAFTAHAZ SYNDICATED LOAN TALKS

REF: A. KYIV 2147

[1](#)B. KYIV 2140

[1](#)C. KYIV 1981

Classified By: Economic Counselor Edward Kaska for Reasons 1.4 (b) and (d)

[1](#)1. (C) Kyiv-based Alfa Bank executive Ivan Yurik confirmed to Econoff on December 18 that Russian banks were in final-stage negotiations over a syndicated loan to Ukrainian state energy company Naftohaz. The loan would likely cover Ukraine's January 7 and February 7 payments to Gazprom, Yurik believed. The Russian banks were waiting for results of this week's discussions over Ukraine's IMF program before making a determination over the size and scope of the loan.

[1](#)2. (C) Yurik acknowledged that Alfa's Moscow parent bank had been approached by Russian state-owned Sberbank and Vnesheconombank (VEB) to participate as a minority creditor in the syndicated instrument. The loan would be made with Russian capital, as Ukrainian subsidiaries did "not have the resources to plug Naftohaz's gap," Yurik said.

[1](#)3. (C) Ukrainian Deputy Prime Minister Nemyria had told the Ambassador on December 15 that Russia was weighing in heavily with the IMF on disbursing a fourth loan tranche (ref B). Yurik agreed that it was in Russia's strategic and commercial interest to prevent a gas crisis. Russian Prime Minister Putin had initiated talks over a loan arrangement with the heads of Sberbank, VEB, and Alfa before his Yalta meetings with Tymoshenko, claimed Yurik. Naftohaz spokesman Valentyn Zemlyansky told us in November that Naftohaz was pursuing talks with Russian banks, though he did not reveal any terms of a potential agreement (ref C).

[1](#)4. (C) Yurik told us Alfa Bank/Ukraine Vice Chairman and former Ukrainian Minister of Economy Roman Shpek had said that Nemyria's bargaining position with the IMF in Washington this week was to focus on Ukraine's need for \$2 billion to pay Gazprom. Claiming that the lack of an IMF tranche would lead to a failed January or February payment and trigger a gas crisis was the GOU's best means of getting the IMF to pony up, Yurik believed.

[1](#)5. (C) The reality was that gas issues are a "distant" two weeks away for the Prime Minister, said Yurik. The real crisis for Tymoshenko was in December 2009, particularly the nearly empty state treasury and the political ramifications of missed wage and pension payments (ref A). Tymoshenko would use IMF monies, procured under the guise of gas payment needs, for social spending purposes over the next two weeks. Yurik believed that Tymoshenko would in any case still go forward with the Russian syndicated loan to free up funds for January and February budget allocations.

COMMENT

16. (C) Since Yurik is also an advisor to former Minister of Finance Pynzenyk, now a vocal critic of Tymoshenko, we received his message with due caution. However, the general nature of Tymoshenko's plan rings true, especially since it has been known for weeks that Naftohaz was working with Gazprom on a financing deal. It is highly likely that President Yushchenko is also aware of the loan talks, as well as Tymoshenko's general scheme to get through the pre-election fiscal crisis. If Yurik's statement is to be believed, we suspect Yushchenko will remain adamant in his opposition to central bank monetization of GOU debt.

TEFFT